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Message Text

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INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

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E.O. 11652
TAGS: PA EAID EGEN

SUBJ: CIAP REVIEW OF URUGUAY, OCTOBER 23-26

REF : MONTEVIDEO 3141

1. THE CIAP REVIEW OF URUGUAY WAS HELD OCTOBER 23-26. FINANCE MINISTER PAZOS GAVE A DETAILED EXPOSITION ON RECENT GOU POLICY INITIATIVES AND COMMENTED EXTENSIVELY ON THE SAN MIGUEL AND COLONIA SUIZA MEETINGS. THE MAJOR THRUST OF THE URUGUAYAN PRESENTATION WAS THAT THE GOU IS FULLY AWARE OF THE MAGNITUDE OF THE COUNTRY'S ECONOMIC PROBLEMS AND IS PRESENTLY ENGAGED IN A SERIOUS EFFORT TO CORRECT THE DISTORTIONS AND DISEQUILIBRIA IN THE DOMESTIC ECONOMY. A COPY OF MR. PAZOS' PRESENTATION IS BEING
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POUCHED UNDER SEPARATE COVER.

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2. AS FORESEEN IN REFTEL, THE URUGUAYANS MADE A STRONG PITCH TO THE IBRD FOR SUPPORT FOR ENERGY PROJECTS AND REPORTEDLY HAD INTENSIVE DISCUSSIONS WITH IBRD REPRESENTATIVES WHICH EXTENDED INTO THE WEE HOURS OF THE MORNING. IT IS NOT CLEAR WHETHER THE IBRD WAS RECEPTIVE TO THIS REQUEST, BUT WE WILL MAKE EVERY EFFORT TO LEARN MORE ON THIS LATER AND WILL KEEP THE EMBASSY INFORMED.

3. DISCUSSIONS DURING WEEK OF THE REVIEW REVEALED A

CERTAIN SKEPTICISM AMONG OTHER DONORS, ESPECIALLY THE IBRD WHICH URGED MORE THAN WORDS AND GOOD INTENTIONS TO PROVE THAT URUGUAY IS UNDERGOING CONSTRUCTIVE AND FUNDAMENTAL CHANGE. THE IFIS WERE GENERALLY RECEPTIVE TO THE LONG OVERDUE REFORMS OUTLINED BY THE DELEGATION, ESPECIALLY THOSE EFFORTS DESIGNED TO PRODUCE MORE REALISTIC EXCHANGE RATES IN THE BANKING SECTOR. LACKING, HOWEVER, IN THE OPINION OF SOME OF THE PARTICIPANTS WAS A CLEAR POLICY, VIS-A-VIS, THE MAJOR PRODUCTIVE SECTORS OF THE ECONOMY, ESPECIALLY AGRICULTURE.

4. AID IN ITS PRESENTATION AND COMMENTS INDICATED THAT WE WERE PLEASED TO SEE THAT THE GOU WAS BEGINNING TO MAKE SOME SIGNIFICANT MOVEMENT FORWARD IN THE ECONOMIC SPHERE, BUT STRESSED THE NEED FOR FOLLOW-THROUGH ON THESE INITIATIVES. WE GENERALLY PLAYED A LOW PROFILE IN THE MEETINGS, CONSISTENT WITH THE EXTENT OF OUR ACTIVITIES IN URUGUAY, AND ADVISED THE URUGUAYANS THAT WE EXPECT THE IFIS TO CONTINUE TO PLAY THE MAJOR ROLE IN EXTERNAL PROJECT FINANCING. A COPY OF OUR STATEMENT IS ALSO BEING POUCHED, ALONG WITH A PRELIMINARY DRAFT OF THE CONCLUSIONS AND RECOMMENDATIONS OF THE CIAP MEETING.
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